

Crafting Management Systems to Implement Priority Projects: The Case of “Brazil in Action” (B)

With the conceptual design stabilized, the work during July 1996 focused on filling in the next level of detail. This effort proceeded with a sense of urgency for several reasons. First, public opinion polling suggested the president’s popularity was beginning to wane. Second, Kandir’s political instincts told him that his own political capital would tend to diminish as time passed. Third, Kandir wanted to differentiate the Brazil in Action projects from other planned expenditures in the 1997 Federal budget. Under the constitution, the president was obliged to submit the following year’s budget to Congress by the end of August. The sectoral ministries needed to be told of the president’s priorities some weeks before this deadline.

Putting “Brazil in Action” into Operation

An immediate task was to make a selection of projects. In doing so, they built on prior efforts undertaken by the planning ministry in coordination with Clóvis Carvalho to segregate genuinely strategic investments from the hundreds that had found their way into the four-year plan. As recalled by one director within the planning secretariat, Francisco Batista da Costa, “We started with ten projects, the list then grew to 60, was cut to 30, and finally settled down at 42.” In preparing Brazil in Action, specifically, some projects seemed obvious candidates, given the fundamental criterion that “each should make a difference to development by catalyzing other investment decisions, whether by the private sector or the states.”

An example was the Bolívia-Brazil natural gas pipeline, which was to provide a source of energy to São Paulo and stimulate industrial development along its 3,100 km path. This project was already moving towards the construction phase, with the project finance arrangements nearly in place. It enjoyed a demonstrable consensus among elites in São Paulo and its wide area of economic influence as well as full acceptance by Petrobrás, which became its champion. Another example was the building of a railroad, *Ferronorte*, which would link the Center-West’s expanding grain-growing region to the distant port of Santos in São Paulo state. Within this larger undertaking was a plan to use money from the Federal budget to build a railroad bridge across the wide Paraná River. A number of road widening and rehabilitation projects were also quickly identified, including the route between São Paulo and the city of Belo Horizonte in the neighboring state of Minas Gerais. Various projects that would benefit the Northeast, North, and South regions of the country were also pinpointed. As an example, in the Northeast, a set of projects intended to create a more robust tourist infrastructure, including expanded airports in major regional cities, made the list. The ultimate decision-maker was the president himself, who took an active interest in finalizing the selection. He took advice from state governors and regional elites represented in the Congress and made some adjustments in the set of “undertakings” (*emprendimentos*), as the

This case was written by Dr Michael Barzelay, Reader in Public Management, London School of Economics (6/04), with the collaboration of Evgeniya Shvets and Armando Cunha. Funding was provided by the Institute for Complex Strategic Studies, Moscow (www.icss.ac.ru)

projects came to be called in the official discourse. However, the president limited his choices to those that had been served up from the planning process, linked to the *PPA*.

Meanwhile, in July, the idea of formulating a trademark, analogous historically to the *Plano de Metas*, came into focus in discussions with the president's communications team, including Ana Tavares and Sérgio Amaral. They initially toyed with the words, *Investe Brasil*. However, a different name was suggested by a public relations firm, Propeg, working on a contract with the presidency and the planning ministry. According to Propeg's president, Fernando Barros, "I felt that *Brasil em Ação* fit the bill as a way to characterize the whole range of actions that provided a lever for the country's development across its diverse territory and society. 'Brazil in Action' encompassed the various areas of governmental action, and it conveyed the Federal government's association with other governments and the private sector." Brazil in Action's symbols – apart from the president himself -- were to include a logo and, more importantly, a map of the country showing the location of the various projects.

On August 9, 1996, less than a month after the president approved the program, Brazil in Action went public. The occasion was a meeting of all ministers, to which reporters were invited. Kandir delivered a speech presenting the program outline and the 42 projects. The planning minister also explained that each project would have a manager, and he informed the ministers that their proposed 1997 budgets should specifically include lines for the Brazil in Action projects. The president, nonetheless, stole the show. As Silveira recalled, "During the meeting the president spoke a number of times. One of these times, he stood up and went to screen to comment on the importance of certain projects. The following day the image of FHC and a Brazil map indicating the Brazil in Action projects was displayed on the front page of main Brazilian newspaper." As Clóvis Carvalho remarked about the same event, "Fernando Henrique mentioned, for instance, 'Highway 163 between Cuiabá and Santarém...' He has an excellent sense of spatial geography and a fantastic memory for numbers. Nothing was written, but he knew perfectly each one of these things."

Within two weeks of this event, which resulted in a media splash, the president participated in his first ceremonies related to particular Brazil in Action projects. In Manaus, the capital of the state of Amazônia, Cardoso presided over the signing of an agreement between three state-owned enterprises -- Petrobrás, Electrobrás, and Eletronorte -- to build a natural gas pipeline from Manaus to Urucu and then to Porto Velho. The project would involve providing fuel for electricity generation in the Amazon region and elsewhere in the north. The same day, Cardoso flew west to the city of Porto Velho, where he presided over the signing of a BNDES loan to finance barges as part of developing a waterway transportation system linking the west and north of the country.

While the president was creating personal identification with Brazil in Action projects, following in the distant footsteps of Juscelino Kubitschek, his team was trying to implement the administrative approach of working with the ministerial bureaucracy. At the August 9 meeting, ministers were informed that lead responsibility for projects would be assigned to a single ministry or state-owned enterprise (SOE) and that each project would have a manager. In preparing to unveil Brazil in Action, it had been decided that project managers should be situated organizationally within the sectoral ministries or SOE's responsible for the project, rather than, say, the ministry of planning. The fear was that furious turf battles between the planning ministry and the sectoral ministries would otherwise

break out, impeding the very progress in execution that was the *raison d'être* of Brazil in Action. Besides, with a staff of fewer than 30 professionals, the planning secretariat hardly had the capacity itself to manage 42 presidential priority projects on its own. Once it was decided that project managers would be situated organizationally in the sectoral ministries or SOE's, the president's team were essentially committed to letting ministries choose who would be the project managers, lest they be seen as undermining normal personnel practice and making a power grab.

To make the best of the situation, face-to-face discussions with more than a dozen ministers and their executive secretaries were held during August. The agenda was to explain the fundamentals of the Brazil in Action program in a direct and personalized manner. Kandir, Marcus Tavares (who had succeeded Calabi as executive secretary), and Silveira went to all of these meetings. In many cases, they were joined by Clóvis Carvalho and Eduardo Jorge, the general secretary of the Presidency, to underscore Cardoso's personal commitment to implementing Brazil in Action. The presidentially backed delegation tried to persuade ministers that, whatever a manager's formal hierarchical position, direct access to the ministry's executive secretary (who, as the undoubted number two authority, controlled budgetary and other resources) was a must. The profile of a manager as someone who was both technically competent and adept at interacting effectively across organizational boundaries was also discussed. Specific names were considered at these high-level sessions. As Silveira recalled, "The minister of environment, who was responsible for two projects, mentioned two names early in the meeting. After we talked, he remarked, 'No, I've changed my mind. I'm going to appoint two other people now that I understand better what's needed.'"

While these sensitive discussions were taking place, Silveira directed his planning secretariat staff to stop building the database of investment projects, which had been one of his predecessor's priorities, and to turn their full attention to designing a "real-time management information system" for the Brazil in Action program. From an organizational standpoint, this system was meant to compensate for the lack of a direct hierarchical relationship between the ministry of planning and project managers. With good management information, the planning ministry would be able to apply timely pressure on ministries to implement projects and assist them in resolving problems as soon as they arose. "We came to believe that transparency by itself would begin to induce managers to take more responsibility, insofar as it would be possible for people to follow what was happening with more clarity. Poor results would reflect badly on managers," in the words of one member of staff. The IT-oriented staff in the planning secretariat, largely drawn from the ranks of those seconded by the *Banco do Brasil*, started to develop a prototype management information system (MIS) right away. "We couldn't design a model and present it in a year or a year and a half. The requirement was immediate," recalled Mauricio Albuquerque. The staff decided to translate the desire for a real-time MIS into a prototype design for a web-based system, considered a relative novelty in 1996. Each project was to be represented by a single web page that described the main elements of the project, including goals, investment levels, physical programming, and financial programming. The director in charge of strategic investments, André Amaral, recalled being told by Silveira that the prototype system needed to be on the president of the republic's desk within forty days. Amaral recalled, "We were a group of ten people. It was crazy. I stayed up many nights without sleeping."

The planning secretariat staff was bolstered during this intense period, although its numbers only grew by a handful. Silveira established a role for an individual to direct day-to-day work on Brazil in Action – in particular, to work closely with project managers, monitor projects, and speed up execution. Finding a qualified person was not necessarily going to be easy, since the presidential priority projects ranged from infrastructure projects, like gas pipelines and electrical power grids, to social projects, like one for in-service training of school teachers and restructuring the system of school finance. One place he looked for candidates was BNDES, and the name that several contacts mentioned was that of Aluysio Asti. A lawyer by background, Asti was unusual among BNDES staff because he had worked in the social area during the relatively brief period when the bank took a strong institutional interest in such aspects of economic development. Between 1982 and 1989, he had worked to finance small rural producers and help them to access low income urban markets. When BNDES closed down its socially oriented operations, Asti returned to the core activities. After heading the energy department, he became superintendent for the broader area of infrastructure in 1993. In August 1996, he received an invitation from Silveira to head up the Brazil in Action program. He recalled, “I never had any contact with him previously. But, as I had significant background in the bank in both infrastructure and the social area, I was a sort of rarity there. So he sought me out. Very soon after I arrived at the ministry in September, I realized that I was working with someone with enormous skill and vocation for project management – this man, Silveira. His competence and a capacity for work were far from ordinary.”

As soon as project managers began to be named, Silveira and his staff met with them personally. They sought to inculcate the idea that managers were responsible for achieving results. The managers were reminded that the Brazil in Action projects would be sheltered from budget cuts. As Kandir recalled the message: “Don’t worry about financial resources. Instead of spending a third of your time working political contacts to secure resources, concentrate on the project. Negotiate the best form for the project, lower costs, raise the goals. You’ll have the money guaranteed.” The planning secretariat representatives conceded that managers did not have sufficient formal authority to be responsible for projects in a conventional administrative sense. However, Silveira and his team insisted that if a project went badly and the manager had not made the planning secretariat aware of the difficulties in time to overcome them, they would be considered personally at fault. In this connection, the managers were told of their responsibility to provide accurate and up-to-date information to the planning secretariat through the envisioned management information system. As Asti recounted their thinking: “In all these institutions, there was an individual who was the address of the project as far as we were concerned, and we held these people accountable. This person had to point out problems. If he didn’t point out problems in a timely way, he was responsible for that. This was the idea.”

Within 40 days of the unveiling of Brazil in Action to the government and media on August 8, the budget had been submitted to Congress, managers had been selected, and a prototype MIS had been built. The time had come to go public with the management system for Brazil in Action. The ministry of planning organized a media-oriented event, held on September 20. The codified fundamentals of the management model were presented. More strikingly, all of recently designated project managers – about 35 in number, as some were responsible for multiple projects – were on hand and formally introduced. The press were given more than these officials’ names and project responsibilities: they received a few biographical facts, such as about their field of specialization and age, as well contact details,

such as telephone and fax numbers. In effect, the media were invited to regard the managers as sources of information about the presidential priority projects. The glare of publicity further underscored that managers were personally responsible for their projects. At the same event, the planning secretariat presented the conceptual design of the web-based management information system, for use by sectoral ministries, the ministry of planning, *Casa Civil*, and the president himself. Since the managers had yet to start working, the prototype did not include actual data. Still, it was made clear how each project would be represented. (Two months later, however, at a similar event, the media were invited to see an operational version of the management information system, complete with actual data on the projects.)

Anticipating Bureaucratic Warfare

In parallel with this effort to apply project management principles to Brazil in Action, through socializing project managers, developing a management information system, and attracting media attention, Kandir was attending to the Achilles heel of the whole administrative scheme. He and his people were on record saying that the presidential priority projects would be sufficiently funded, as we have seen. However, Kandir could not rely on his formal authority to secure resources for Brazil in Action projects. While Kandir's influence over the formulation of the Federal budget was evidently strong, the planning ministry shared responsibility for budget execution with the ministry of finance's treasury secretariat. The division of labor in the execution process was as follows. The planning ministry's secretariat of budget and finance translated the annual budget into a program of monthly allocations, which was handed off to the treasury secretariat. The treasury secretariat would credit the accounts of the sectoral ministries on a monthly basis, with the amounts depending on many factors, including the financial programming and the pace of tax receipts. The secretary of the treasury had a relatively free hand in deciding how much to credit the accounts of sectoral ministries, but usually cared about the aggregate volumes rather than the allocations, the politics of which were usually handled by the planning ministry.

With this situation in mind, Kandir moved to establish a good working relationship with the treasury secretary, Eduardo Guimarães, who happened to come into office shortly after his own move to the planning ministry. The two were not strangers to one another, as Guimarães served as president of the national statistical institute (IBGE) when Kandir had been secretary of economic policy. Kandir admired Guimarães: "He is a professor of industrial organization and had a micro view of things...a terrific person, super intelligent." When Kandir held a press conference to present the 1997 budget that introduced special line items for the priority projects, Guimarães appeared with him -- for a specific reason: "The message was absolutely clear, that the ministry of planning and the treasury were in complete agreement about this aspect of the budget."

Privately, however, Guimarães shared deep concerns with Kandir about how the budget execution process would actually operate. The treasury secretary pointed out that Brazil in Action could easily fall victim to opportunism on the part of the sectoral ministries, a familiar kind of bureaucratic warfare known as the "policy of inverted priorities." As he recalled,

Brazil in Action is a program that involves large expenditures and a priority program for the president, so it would be clever for the sectoral ministries to take the funds that treasury released to them

and spend them on everything except for Brazil in Action projects. Then, the ministries could bring pressure on us directly and through the presidency to release more money to them so that Brazil in Action programs wouldn't stop.

The source of this opportunism could be traced, in part, to the institutional rules and routines for financial management in the federal government. Once the treasury credited a sectoral ministry's accounts, neither the planning ministry nor the treasury could exercise any direct administrative control over how funds were spent. The only check on whether funds were spent in accordance with the budget was a financial control unit in the finance ministry (*Federal de Controle*) and the national audit body (*Tribunal de Contas da União*). The planning ministry could apply pressure, of course, but doing so would involve interacting with each sectoral ministry – a time consuming and possibly fruitless activity. What Kandir wanted to do was find a way to ring-fence the budget for Brazil in Action projects within the execution process. However, it was not obvious how that desire could be met.